



Western Massachusetts Electric

The Northeast Utilities System

Western Massachusetts Electric Company

2008 Energy Efficiency Plan

Supplemental Spending Filing

D.P.U. 08-47

September 3, 2008

Western Massachusetts Electric Company
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I. Supplemental Spending

On July 16, 2008, the Department of Energy Resources (“DOER”) requested that the Department of Public Utilities (“Department”) consider an immediate increase in funding for energy efficiency programs targeting heating end-users. On July 25, 2008, the Department issued a letter in response to the DOER’s request, asking that all energy efficiency Program Administrators file proposals to increase spending for residential heating programs effective as soon as feasible and covering the 2008 winter season (“Proposals”). On July 29, 2008, the Department held a technical conference to discuss issues and concerns that Program Administrators, the Attorney General, and non-utility parties may have with implementing the funding increases. On August 1, 2008, the Department directed all energy efficiency Program Administrators to file proposals to increase spending for residential heating programs.

Accordingly, Western Massachusetts Electric Company (“WMECO” or “Company”) has prepared the following supplemental spending plan for the remainder of 2008. Based on our understanding of the direction provided at the July 29 technical conference, WMECO anticipates continuing to offer this level of expanded spending into 2009. Supplemental spending is subject to Department approval, including cost recovery for these incremental programs costs through a reconciling tariff. Appendices A and B are included for comparison to the equivalent tables in the previously submitted WMECO 2008 Energy Efficiency Plan.

In preparing the following proposal, WMECO consulted with the Center for Ecological Technology, our vendor for the Residential Conservation Program (“RCS”) (also known as MassSAVE). Working with the Low Income Energy Affordability Network (“LEAN”), WMECO consulted with Berkshire Community Action Council, Inc., Community Action of the Franklin, Hampshire and North Quabbin Regions and Springfield Partners for Community Action, Inc., the program delivery partners for our Energy Savings Program to income eligible customers in WMECO’s service territory.

Based on conversations with these organizations, WMECO proposes an increase in funding of approximately \$683,000 in the Residential Non-Low-Income sector and an increase of \$150,000 for the Residential Low-Income sector. All partners agree that the current delivery infrastructure is unable to handle additional spending in excess of these amounts on such short notice. The main constraint in delivering additional programs and services in 2008 is the limited availability of qualified energy auditors and qualified insulation installers. Additionally, while there are a good number of heating system contractors in the WMECO service territory their availability for heating system replacements is reduced once the heating seasons begins and much of their time is devoted to emergency repairs.

The proposed supplemental budgets for the Residential Non-Low-Income and Residential Low-Income sectors are expected to provide savings and net benefits as shown in the following table:

Program Goals - 2008 Supplemental Budget				
Sector	Lifetime MWh Savings	Lifetime Summer Demand Savings (kW-years)	Value of Non-Electric Benefits (\$000)	Total Net Benefits (\$000)
Residential Non-Low Income	49,568	4,295	\$3,291	\$4,558
Residential Low Income	16,877	1,157	\$407	\$416
Commercial & Industrial	276,447	41,134	-\$704	\$29,097
Total - All Sectors	342,892	46,586	\$2,995	\$34,071

The following provides detail on the proposed program changes as discussed with the parties mentioned above.

II. Residential Non Low-Income Programs - Retrofit

WMECO proposes to add an additional \$682,500 to the Residential Conservation Program. In addition to increasing the participation, WMECO proposes the following changes, which are consistent with the recommendations proposed by the RCS Network.

PROGRAM	CHANGES																
Residential Conservation Services (MassSAVE)	<ol style="list-style-type: none"> WMECO will increase incentives from 50% up to \$1,500 to 75% up to \$2,000 WMECO will reinstate all optional rebates and incentives that had been suspended in 2006 and 2007 due to budget constraints including: <table> <tr> <th><u>Measure</u></th><th><u>Oil/Propane Rebate</u></th></tr> <tr> <td>• High Efficiency Furnace</td><td>\$ 300</td></tr> <tr> <td>• High Efficiency Furnace with ECM</td><td>\$ 400</td></tr> <tr> <td>• High Efficiency Steam Boilers</td><td>\$ 400</td></tr> <tr> <td>• High Efficiency Hot Water Boilers</td><td>\$ 500</td></tr> <tr> <td>• ENERGY STAR® Thermostats</td><td>\$ 25 (≤2)</td></tr> <tr> <td>• ENERGY STAR® Windows (inc. Skylights)</td><td>\$ 10</td></tr> <tr> <td>• ENERGY STAR® Sliders</td><td>\$ 30</td></tr> </table> Allow customers who apply for the Heat Loan to also be eligible for the 75% up to \$2,000 incentive in addition to the zero percent interest buy-down. Allow customers who want to replace their heating system to proceed without having an energy audit prior to the replacement (customer will still be required to have the audit after the installation is completed). WMECO will explore options within the RCS Network and LEAN to design a strategy of addressing those customers who fall between the 60% and 80% of state medium income. 	<u>Measure</u>	<u>Oil/Propane Rebate</u>	• High Efficiency Furnace	\$ 300	• High Efficiency Furnace with ECM	\$ 400	• High Efficiency Steam Boilers	\$ 400	• High Efficiency Hot Water Boilers	\$ 500	• ENERGY STAR® Thermostats	\$ 25 (≤2)	• ENERGY STAR® Windows (inc. Skylights)	\$ 10	• ENERGY STAR® Sliders	\$ 30
<u>Measure</u>	<u>Oil/Propane Rebate</u>																
• High Efficiency Furnace	\$ 300																
• High Efficiency Furnace with ECM	\$ 400																
• High Efficiency Steam Boilers	\$ 400																
• High Efficiency Hot Water Boilers	\$ 500																
• ENERGY STAR® Thermostats	\$ 25 (≤2)																
• ENERGY STAR® Windows (inc. Skylights)	\$ 10																
• ENERGY STAR® Sliders	\$ 30																

III. Residential Low-Income - Retrofit

Pursuant to discussions with our Low-Income program delivery partners, WMECO will add an additional \$150,000 to the 2008 budget. Each partner will have the discretion to spend their allocation of the additional funding on existing measures already approved. Primary focus will be on oil heating system replacement and repairs and insulation measures. In order to facilitate this additional spending, WMECO will implement the followings changes to the program.

PROGRAM	CHANGES
Energy Savings Program	<ol style="list-style-type: none">1. Increase the maximum allowed spending cap for each customer from \$4,500 to \$8,0002. Eliminate utility preapproval requirement for oil heating system replacements over \$2,500

IV. Supporting Information

A. Additional Customer Participation and Savings

Table C below shows the estimated number of supplemental customers that may be served along with the proposed additional program spending and the projected electric and fossil fuel savings (based on #2 heating oil). For these supplemental customers we have also shown the estimated savings on their monthly energy bills (electric and oil). The estimated bill savings are shown using both the estimated energy costs used in the 2007 Avoided Cost Study (used to calculated the value of savings for all Program Administrators' 2007 Energy Efficiency Plans), along with the estimated prices, for WMECO customers, of 15 cents per kWh for electricity and \$4.40 per gallon for heating oil. These are estimated monthly savings for the year. Obviously, the monthly savings for those customers receiving additional insulation or replacement heating system will be much high in the winter months and lower in the summer months. As the estimates show, an average customer served though the Energy Savings Program for income-eligible customers would see an estimated energy cost savings of \$600 per year.

Table C Additional Participation and Savings								
Program	Budget	Participants	Annual MWH savings	Lifetime MWh Savings	Fossil Fuel MMBTU Annual Savings	Average Monthly Savings per Participant (Prices @ Avoided Cost Study) ₁	Average Monthly Savings per Participant (Prices at Current) ₂	
RCS (MassSAVE)								
Original	\$ 581,383	913	330	3,115	2,610			
Supplemental	\$ 682,500	537	207	2,170	6,083	\$ 18.83	\$	36.29
Revised Total	\$ 1,263,883	1,450	537	5,285	8,693			
Residential Low Income (Energy Savings Program)								
Original	\$ 1,220,436	1,376	1,160	15,438	903			
Supplemental	\$ 157,499	128	375	1,439	632	\$ 29.83	\$	50.32
Revised Total	\$ 1,377,935	1,504	1,535	16,877	1,535			
Note 1 Estimated monthly savings based on Avoided Cost Study 2008 Estimated Prices of 9.4 cents/kwh and \$2.21/ Gal for #2 Oil								
Note 2 Estimated monthly savings based on Estimated Current 2008 Prices of 15 cents/kwh and \$4.40/ Gal for #2 Oil								

B. Effect of Supplemental Spending on Program Cost Effectiveness

Benefit to Cost ratios for both the Residential Non-Low-Income Retrofit and Residential Low-Income Retrofit programs after the Supplemental costs and savings have been added to the originally-proposed programs for 2008 are shown in Appendix A Table A1.1. The changes in the Benefit to Cost Ratios are as follows:

	<u>Original BCR</u>	<u>Revised BCR w/Supplemental Spending</u>
Res. Non-Low-Income Retrofit	1.14	1.35
Res. Low-Income Retrofit	1.24	1.28

Increases in the BCR ratios are attributable to the fact that supplemental spending will be more focused on fossil fuel savings than WMECO's original efficiency plan anticipated. The enhanced focus on fossil fuel savings yield greater energy savings per dollar of spending, thus leading to increased benefit to cost ratios.

C. Effect of Supplemental Spending on Program Incentives

Appendix B updates the program incentive tables for the effects of the supplemental spending as compared to those filed in WMECO's original plan filing.

D. Residential Supplemental Recovery Mechanism Proposal

WMECO proposes to collect the costs associated with these program changes through a fully reconciling tariff. The tariff is designed to collect the program costs incurred by the Company for providing energy efficiency program services beyond those recovered through the Demand-Side Management Adjustment on an annual basis (including future Regional Greenhouse Gas Initiative funding). Recovery will be for any program-related costs, costs in calendar year 2008 pertaining to lost base revenues resulting from incremental efficiency savings over 2007 levels, pursuant to the Department's direction in D.P.U. 07-50, and shareholder incentives. A copy of the tariff, the Energy Efficiency Program Expansion Cost Adjustment, is attached in Appendix C.

Appendix A: Supplemental: Benefit / Cost Analysis for Supplemental Budget

Administrator	C WMECo							
Year	2008							
Sum of Amount								
Account								
Sector	Program	A001 Program Planning & Administration	A002 Marketing-Advertising	A003 Customer Incentive	A004 Sales, Technical Assistance & Training	A005 Evaluation & Market Research	A007 Performance Incentive	Grand Total
A - Residential	A02a Energy Star Homes	\$ 41,230	\$ -	\$ 208,731	\$ 191,400	\$ 13,181	\$ 22,627	\$ 475,168
	A02b Energy Star HVAC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	A03a Residential Conservation Service	\$ 35,000	\$ 1,000	\$ 793,740	\$ 357,042	\$ 16,916	\$ 60,185	\$ 1,263,883
	A04a Energy Star Lighting (Includes Catalog)	\$ 65,000	\$ 6,000	\$ 277,117	\$ 175,000	\$ 15,694	\$ 26,941	\$ 565,751
	A04b Energy Star Appliance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	A05a Education & Info EE-Smarts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	A06a Research and Development - HEAT Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	A07a NUP Collaborative	\$ 13,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,771
	A07b DOER Support	\$ 19,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,630
	A07x Tax Liability - Performance Incentive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,790	\$ 70,790
A - Residential Total		\$ 174,632	\$ 7,000	\$ 1,277,588	\$ 723,442	\$ 45,791	\$ 180,543	\$ 2,408,995
B - Low Income	B02a Energy Star Homes LI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	B03a Residential LI	\$ 241,120	\$ 4,000	\$ 966,629	\$ 100,570	\$ -	\$ 65,616	\$ 1,377,935
	B07a LEAN Funding	\$ 31,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,425
	B07x Tax Liability - Performance Incentive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,322	\$ 42,322
B - Low Income Total		\$ 272,545	\$ 4,000	\$ 966,629	\$ 100,570	\$ -	\$ 107,938	\$ 1,451,682
C - Commercial & Industrial	C02a New Construction/Major Renovation	\$ 143,969	\$ 4,000	\$ 200,000	\$ 46,700	\$ 9,938	\$ 20,230	\$ 424,837
	C02b Custom Services (Includes PRIME)	\$ 200,000	\$ 2,000	\$ 1,000,000	\$ 50,000	\$ 37,560	\$ 64,478	\$ 1,354,038
	C03a Market Based RFP Program	\$ 10,000	\$ -	\$ 1,180,000	\$ 11,000	\$ 36,030	\$ 61,852	\$ 1,298,882
	C03b Small Business Energy Advantage	\$ 285,000	\$ -	\$ 873,230	\$ -	\$ 1,200	\$ 57,972	\$ 1,217,402
	C03c Express Service - Lighting	\$ 4,600	\$ -	\$ 75,000	\$ -	\$ 5,388	\$ 4,249	\$ 89,237
	C03d Municipal Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	C03e O&M (EEMs, BOC & Management Practices)	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -	\$ 1,000	\$ 21,000
	C04a Express - MotorUp	\$ 1,500	\$ -	\$ 10,000	\$ 5,000	\$ 495	\$ 850	\$ 17,845
	C04b Express - Cool Choice	\$ 10,000	\$ -	\$ 60,000	\$ 5,000	\$ 2,250	\$ 3,863	\$ 81,113
	C04c 80 Plus Power Supply Initiative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	C05a Massachusetts Energy Code Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	C05b MAEEP Support	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
	C05d DesignLights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	C05e Compressed Air Challenge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	C07a NUP Collaborative	\$ 38,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,415
	C07b DOER Support	\$ 54,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,758
	C07x Tax Liability - Performance Incentive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,348	\$ 138,348
C - Commercial & Industrial Total		\$ 758,241	\$ 6,000	\$ 3,408,230	\$ 137,700	\$ 92,861	\$ 352,841	\$ 4,755,873
Grand Total		\$ 1,205,418	\$ 17,000	\$ 5,652,447	\$ 961,712	\$ 138,652	\$ 641,322	\$ 8,616,550

Appendix A Supplemental: Table A1.1 - Summary of Program Benefit / Cost Ratios 2008 (with DRIPE)

Total Resource Cost Test					
BCR-Activity by Sector	Benefit / Cost Ratio	Sum of Net Benefits	Sum of TRC Benefits	Sum of TRC Costs	Sum of PA Costs
Residential					
A02a Residential Lost Opportunity Total	1.28	\$164,918	\$753,760	\$588,842	\$486,302
A02b Residential HVAC Total					
A03a Residential Retrofit 1-4 Total	1.35	\$762,461	\$2,964,055	\$2,201,594	\$1,275,017
A04a Residential Lighting Total	6.14	\$3,630,230	\$4,336,466	\$706,236	\$576,885
A04b Residential Appliances Total					
A07x Performance Incentive Tax Liability Total					\$70,790
Subtotal: Residential	2.30	\$4,557,609	\$8,054,281	\$3,496,671	\$2,408,995
Low Income					
B02a Low-Income Lost Opportunity	0.00	\$0	\$0	\$0	\$0
B03a Low-Income Retrofit 1-4	1.28	\$415,561	\$1,874,879	\$1,459,319	\$1,409,360
B07x Performance Incentive Tax Liability Total					\$42,322
Subtotal: Low Income	1.28	\$415,561	\$1,874,879	\$1,459,319	\$1,451,682
Commercial & Industrial					
C02a C&I Lost Opportunity Total	4.78	\$6,955,768	\$8,794,504	\$1,838,737	\$1,908,890
C03a Large C&I Retrofit Total	4.38	\$8,090,772	\$10,484,640	\$2,393,868	\$1,460,176
C03b Small C&I Retrofit Total	3.05	\$6,594,965	\$9,818,242	\$3,223,277	\$1,248,459
C07x Performance Incentive Tax Liability Total					\$138,348
Subtotal: C&I	3.90	\$21,641,504	\$29,097,386	\$7,455,881	\$4,755,873
Grand Total	3.14	\$26,614,675	\$39,026,546	\$12,411,871	\$8,616,550

Appendix A Supplemental: Table A1.2 - Summary of Program Benefit / Cost Ratios 2008 (without DRIPE)

Total Resource Cost Test					
BCR-Activity by Sector	Benefit / Cost Ratio	Sum of Net Benefits	Sum of TRC Benefits	Sum of TRC Costs	Sum of PA Costs
Residential					
A02a Residential Lost Opportunity Total	1.23	\$136,950	\$725,792	\$588,842	\$486,302
A02b Residential HVAC Total				\$0	
A03a Residential Retrofit 1-4 Total	1.31	\$688,921	\$2,890,515	\$2,201,594	\$1,275,017
A04a Residential Lighting Total	4.88	\$2,742,127	\$3,448,362	\$706,236	\$576,885
A04b Residential Appliances Total				\$0	
A07x Performance Incentive Tax Liability Total				\$0	\$70,790
Subtotal: Residential	2.02	\$3,567,998	\$7,064,669	\$3,496,671	\$2,408,995
Low Income					
B02a Residential Lost Opportunity - LI Total	N/A	\$0	\$0	\$0	\$0
B03a Low Income Retrofit 1-4 Total	1.16	\$236,900	\$1,696,218	\$1,459,319	\$1,409,360
B07x Performance Incentive Tax Liability Total				\$0	\$42,322
Subtotal: Low Income	1.16	\$236,900	\$1,696,218	\$1,459,319	\$1,451,682
Commercial & Industrial					
C02a C&I Lost Opportunity Total	4.26	\$5,988,672	\$7,827,409	\$1,838,737	\$1,908,890
C03a Large C&I Retrofit Total	3.85	\$6,811,141	\$9,205,008	\$2,393,868	\$1,460,176
C03b Small C&I Retrofit Total	2.71	\$5,506,093	\$8,729,370	\$3,223,277	\$1,248,459
C07x Performance Incentive Tax Liability Total					\$138,348
Subtotal: C&I	3.46	\$18,305,906	\$25,761,788	\$7,455,881	\$4,755,873
Grand Total	2.78	\$22,110,804	\$34,522,675	\$12,411,871	\$8,616,550

**Appendix A: Table A3 Supplemental
Detail Summary of Benefits by Program
2008 Impacts of Measures Installed in 2008**

BCR Activity by Sector		Total Benefits											Load Reduction			MWh Saved		
		Total Benefits	Capacity					Energy				Non Electric		Summer	Winter	Lifetime	Annual	Lifetime
			Generation			MDC	DRIPE	Winter		Summer		Resource	Non-Resource					
			Summer	Winter				Peak	Off Peak	Peak	Off Peak							
Sector	BCR Activity	Total Ben	SumCapVal	WinCapVal	TransVal	DistVal	DRIPE VALUE	WinPkVal	WinOffVal	SumPkVal	SumOffVal	ResVal	NonResVal	Sum kW	Win kW	Lfe kW	Ann MWh	Lifer MWh
A - Residential		\$8,054,281	\$301,647	\$0	\$81,180	\$240,322	\$173,219	\$1,276,853	\$1,368,204	\$655,483	\$666,217	\$2,821,274	\$469,881	555	1,833	4,295	7,486	49,568
	A02a Residential Lost Opportunity	\$753,760	\$46,417	\$0	\$9,605	\$28,433	\$10,863	\$60,034	\$65,398	\$30,131	\$31,871	\$458,893	\$12,115	35	52	561	212	2,573
	A03a Residential Retrofit 1-4	\$2,964,055	\$78,897	\$0	\$17,530	\$51,896	\$25,057	\$135,667	\$110,584	\$99,351	\$64,301	\$2,362,381	\$18,390	80	127	992	537	5,285
	A04a Residential Lighting	\$4,336,466	\$176,333	\$0	\$54,045	\$159,993	\$137,299	\$1,081,153	\$1,192,222	\$526,001	\$570,045	\$0	\$439,376	440	1,654	2,741	6,737	41,709
B - Low Income		\$1,874,879	\$91,540	\$0	\$20,955	\$62,034	\$32,438	\$592,162	\$297,119	\$220,858	\$150,631	\$327,768	\$79,374	104	336	1,157	1,268	16,877
	B02a Low-Income Lost Opportunity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0	0	0	0
	B03a Low-Income Retrofit 1-4	\$1,874,879	\$91,540	\$0	\$20,955	\$62,034	\$32,438	\$592,162	\$297,119	\$220,858	\$150,631	\$327,768	\$79,374	104	336	1,157	1,268	16,877
C - Commercial & Industrial		\$29,097,386	\$3,431,762	\$0	\$735,533	\$2,177,431	\$942,287	\$10,756,251	\$1,845,498	\$8,066,244	\$1,846,016	-\$1,289,445	\$585,807	3,017	2,177	41,134	20,315	276,447
	C02a C&I Lost Opportunity	\$8,794,504	\$1,077,869	\$0	\$227,994	\$674,939	\$279,399	\$2,850,244	\$438,742	\$2,746,777	\$532,684	-\$131,937	\$97,794	895	616	12,874	5,675	80,438
	C03a Large C&I Retrofit	\$10,484,640	\$996,615	\$0	\$214,187	\$634,067	\$276,830	\$4,527,593	\$688,304	\$2,862,150	\$664,573	-\$656,447	\$276,768	886	668	11,972	7,914	107,121
	C03b Small C&I Retrofit	\$9,818,242	\$1,357,279	\$0	\$293,353	\$868,425	\$386,058	\$3,378,415	\$718,453	\$2,457,317	\$648,758	-\$501,060	\$211,245	1,236	893	16,287	6,727	88,889
Grand Total		\$39,026,546	\$3,824,949	\$0	\$837,669	\$2,479,786	\$1,147,945	\$12,625,267	\$3,510,822	\$8,942,585	\$2,662,863	\$1,859,598	\$1,135,062	3,675	4,346	46,586	29,070	342,892

Appendix B: Supplemental Performance Incentives

Appendix B: TABLE B1 Supplemental				
Available Performance Incentive Dollars - 2008				
1. Planned Energy Efficiency Expenses				\$7,797,229
2. Performance Incentive Rate (%)				5.00%
	<u>Threshold</u>	<u>Design</u>	<u>Exemplary</u>	
3. Incentive Range	75%	100%	110%	
4. Potential Available After-Tax Incentive	\$292,396	\$389,861	\$428,848	
<u>Available After-Tax Incentive by Component:</u>	<u>Threshold</u>	<u>Design</u>	<u>Exemplary</u>	
5. Component 1: Savings Incentive	\$132,240	\$176,320	\$193,952	
6. Component 2: Value Incentive	\$98,079	\$130,772	\$143,849	
7. Component 3: Performance Metrics	<u>\$62,077</u>	<u>\$82,769</u>	<u>\$91,046</u>	
8. Grand Total Available Incentive	\$292,396	\$389,861	\$428,848	
<u>Calculation of Available After-Tax Incentive by Component</u>	<u>Weights for Incentive Components</u>			
	<u>Expenses</u>	<u>Savings</u>	<u>Value</u>	<u>Perf. Metrics</u>
9. Residential	\$2,195,050	45%	35%	20%
10. Low Income	\$1,312,319	30%	10%	60%
11. Commercial and Industrial	<u>\$4,289,860</u>	50%	40%	10%
12. Total	\$7,797,229			
Line Notes:				
1. Includes all energy efficiency program expenses excluding performance incentives.				
2. Performance Incentive Rate.				
3. The incentive range is 75% to 110% in 2004-2007.				
4. Total Design level incentive = (Line 1 x Line 2), Threshold level incentive = 75% of Design level incentive, and Exemplary level incentive = 110% of Design level incentive.				
5, 6, 7. The 3 components of the Company's shareholder incentive described in each Administrator's Energy Efficiency Plan. The Design level incentives are calculated and allocated according to the weights in lines 9, 10, and 11. For 2004-2007, the Weights for Res. and C&I will become (45%, 35%, 20%) in 2008 50%,40%,10%				
8. Sum of Lines 5 through 7.				
9, 10, 11. For each customer class and incentive component, the design incentive is equal to the expenses times the incentive rate in Line 2 times the weight for the component.				
12. Total expenditures; sum of Lines 9 through 11.				

Appendix B: TABLE B2 Supplemental		
Component 1: Savings Incentive - 2008		
1. Available Design Level Savings Incentive	\$176,320	
		<u>% of \$ Benefits</u>
2. Design (Targeted) Lifetime MWh	342,892	71.1%
3. Design (Targeted) Lifetime kW	46,586	21.2%
4. Design (Targeted) Lifetime Non-Electric Benefits	\$2,994,660	7.7%
5. \$/Lifetime MWh Savings Incentive Rate	\$0.3655	
6. \$/Lifetime kW Savings Incentive Rate	\$0.8040	
7. \$/Lifetime Non-Electric Benefits Incentive Rate	\$0.0045	
8. Exemplary Performance (Cap - Savings Mechanism)	\$193,952	
Line Notes:		
1. Available Design Level Savings Incentive, from Table 1.		
2. From Energy Efficiency Plan; % of Benefits (in \$) from Table 3.		
3. From Energy Efficiency Plan; % of Benefits (in \$) from Table 3.		
4. From Energy Efficiency Plan; % of Benefits (in \$) from Table 3.		
5. (Line 1 times Line 2 %) / Line 2 MWh		
6. (Line 1 times Line 3 %) / Line 3 kW		
7. (Line 1 times Line 4 %) / Line 4 Non-Electric Benefits		
8. The sum of the earned incentives related to lifetime energy savings, lifetime demand savings and lifetime non-electric benefits cannot exceed 110% of the design level incentive for the savings.		

Appendix B: TABLE B2 Supplemental		
Component 1: Savings Incentive - 2008		
1. Available Design Level Savings Incentive	\$176,320	
		<u>% of \$ Benefits</u>
2. Design (Targeted) Lifetime MWh	342,892	71.1%
3. Design (Targeted) Lifetime kW	46,586	21.2%
4. Design (Targeted) Lifetime Non-Electric I	\$2,994,660	7.7%
5. \$/Lifetime MWh Savings Incentive Rate	\$0.3655	
6. \$/Lifetime kW Savings Incentive Rate	\$0.8040	
7. \$/Lifetime Non-Electric Benefits Incentiv	\$0.0045	
8. Exemplary Performance (Cap - Savings N	\$193,952	
Line Notes:		
1. Available Design Level Savings Incentive, from Table 1.		
2. From Energy Efficiency Plan; % of Benefits (in \$) from Table 3.		
3. From Energy Efficiency Plan; % of Benefits (in \$) from Table 3.		
4. From Energy Efficiency Plan; % of Benefits (in \$) from Table 3.		
5. (Line 1 times Line 2 %) / Line 2 MWh		
6. (Line 1 times Line 3 %) / Line 3 kW		
7. (Line 1 times Line 4 %) / Line 4 Non-Electric Benefits		
8. The sum of the earned incentives related to lifetime energy savings, lifetime demand savings and lifetime non-electric benefits cannot exceed 110% of the design level incentive for the savings.		

Appendix B: TABLE B3 Supplemental				
Component 2: Value Incentive - 2007				
1. Available Design Level	\$130,772	Value of Benefits (\$)		
		MWh	kW	Non-Electric
2. Design (Plan) Benefits	\$39,026,546	\$27,741,537	\$8,290,349	\$2,994,660
3. Design (Plan) Costs	\$7,975,228	71.1%	21.2%	7.7%
4. Design (Plan) Net Bene	\$31,051,318			
5. Exemplary Performance	\$143,849			
Line Notes:				
1. Available Design Level Value Incentive, from Table 1.				
2. Planned benefits, from benefit/cost analysis.				
3. Planned costs, from benefit/cost analysis.				
Includes all cost categories in the cost-effectiveness test, except it does not include Performance Incent				
4. Line 2 minus Line 3.				
5. The actual earned value incentive will be equal to actual net benefits/line 4. At least 75% of the net benefits in line 4 must be achieved before a value incentive can be earned.				
The value incentive will be capped at the exemplary performance incentive for this component of the incentive mechanism. See Table 1				

Appendix B: TABLE B4 Supplemental	
Component 3: Performance Metrics - 2008	
1. Available Design Level Performance Metrics Incentive (Sum of the Metrics)	\$82,769
2. Exemplary Level - Performance Metrics	\$91,046
Line Notes:	
1. Sum of all Performance Metrics (Design Level).	
2. The incentive for Performance Metrics will be capped at the exemplary level for this component.	
3. All Metrics listed on the following pages are scalable between Threshold & Design and between Design & Exemplary	

Appendix C: Energy Efficiency Program Expansion Cost Adjustment Tariff

WESTERN MASSACHUSETTS ELECTRIC COMPANY

MDPU No. 1043A

ENERGY EFFICIENCY PROGRAM EXPANSION COST ADJUSTMENT

The Energy Efficiency Program Expansion Cost Adjustment shall recover from all customers taking service under the Company's rates, the program costs incurred by the Company for providing energy efficiency program services beyond those recovered through the Demand-Side Management Adjustment. These costs shall include any program-related costs including lost base revenues resulting from incremental efficiency savings over 2007 levels and shareholder incentives.

The Energy Efficiency Program Expansion Cost Adjustment factors shall be established annually based on the proposed energy efficiency program budget and shall include a full reconciliation and adjustment for any over- and under-recoveries occurring under the prior year's adjustment. The first year's reconciliation will be based on calendar data ending December of that year. If implementation of this cost adjustment causes the initial 12-month reconciliation period to be anything other than 12-months ending December, then the Company shall adjust the initial reconciliation such that subsequent reconciliations are based on a 12-month period ending December. Any over- or under-recoveries shall be refunded to or collected from all customers on a per kilowatt-hour basis over the following twelve (12) months, with interest at the customer deposit rate excluding any income tax adjustment. The Company may file to change the factor adjustments at any time should significant over- or under-recoveries occur. If actual costs and revenues are unavailable for any month, said costs or revenues shall be estimated, subject to later adjustment, for purposes of the foregoing calculation.

Any adjustment of the Energy Efficiency Program Expansion Cost Adjustment factors shall be in accordance with a notice filed with the Department of Public Utilities ("Department") setting forth the amount of the proposed new factors, the amount of the increase or decrease, and the effective delivery charge in the Company's rates as adjusted to reflect the new factors. The notice shall further specify the effective date of such adjustments, which shall not be earlier than thirty (30) days after the filing of the notice, or such other date as the Department may authorize.

The operation of the Energy Efficiency Program Expansion Cost Adjustment is subject to Chapter 164 of the General Laws.